

Message Text

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PAGE 01 STATE 098457
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FM SECSTATE WASHDC
TO AMEMBASSY CAIRO
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C O N F I D E N T I A L STATE 098457

EXDIS

E.O. 11652: GDS

TAGS: ENRG PFOR EG IS US

SUBJECT: AMOCO EXPLORATION IN GULF OF SUEZ

REF: CAIRO 6625

1. WHEN SECRETARY VISITED MIDDLE EAST AREA IN FEBRUARY, ISRAELI OIL-EXPLORATION ACTIVITIES IN SINAI AND GULF OF SUEZ WERE DISCUSSED WITH KEY ISRAELI OFFICIALS AT SOME LENGTH. WE STRESSED U.S. OPPOSITION TO ANY KIND OF ISRAELI EXPLORATION ACTIVITIES AS BEING CONTRARY TO OUR UNDERSTANDING OF PERTINENT INTERNATIONAL LAW AND AS ACTION DETRIMENTAL TO CREATION ATMOSPHERE THAT WOULD FURTHER PEACE PROCESS THIS YEAR.

2. ISRAELIS, IN RESPONSE THIS REPRESENTATION, REITERATED
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THEIR LEGAL VIEW OF OIL EXPLORATION ACTIVITIES AND COUNTERED ARGUMENT CONCERNING EFFECT ON PEACE PROCESS BY NOTING THEIR ACTIVITIES SHOULD SPUR EGYPTIANS TO BE MORE INTERESTED IN REACHING SETTLEMENT RATHER THAN OTHER WAY AROUND. BESIDES, ISRAELIS ADDED, IF MOVEMENT IN PEACE PROCESS IS POSSIBLE IN NEXT YEAR OR SO, EGYPTIANS KNOW ENOUGH ABOUT PETROLEUM BUSINESS TO REALIZE THAT IT TAKES

2-3 YEARS TO ESTABLISH PRODUCING WELL, ONCE STRIKE IS MADE.
THEREFORE, ISRAELI OIL ACTIVITIES WOULD NOT DRAW DOWN OIL

RESERVES IN GULF OR SINAI.

3. AS EMBASSY IS AWARE, WE HAVE GIVEN COPIES OF DEPARTMENT'S LEGAL MEMORANDUM ON SUBJECT OF OIL EXPLORATION IN SINAI AND GULF OF SUEZ TO BOTH EGYPT AND ISRAEL, TO AMOCO, AMOCO'S ATTORNEY COVINGTON AND BURLING, AND TO SEVERAL MEMBERS OF CONGRESS. AS A RESULT OF REQUESTS UNDER FREEDOM OF INFORMATION ACT IN PAST TWO WEEKS, SIX MORE COPIES OF MEMORANDA HAVE BEEN DISTRIBUTED.

4. WE HAVE EARLIER ALERTED EMBASSY THAT AMOCO LAWYERS ARE PROCEEDING TO PREPARE FOR POSSIBLE LEGAL ACTIONS AGAINST ANY U.S. INTERESTS INVOLVED IN INFRINGING ON AMOCO'S CONCESSIONS IN GULF (STATE 32309). WE BELIEVE THREAT OF LEGAL ACTION BY AMOCO MAY BE HAVING DETERRENT EFFECT ON THOSE WHO MIGHT BE CONSIDERING TAKING UP ISRAELI CONCESSION OFFERS IN SINAI AND GULF OF SUEZ.

5. WE HAVE TRIED TO FIND A PRACTICAL WAY TO RESOLVE THE AMOCO DRILLING PROBLEM, BECAUSE, IN OUR VIEW, CONTINUING TO ARGUE THE ISSUE ON LEGAL GROUNDS WILL ONLY RESULT IN FRUITLESS HAGGLING. WE BELIEVE THE FOUR-POINT PROGRAM WHICH WE PROPOSED TO EGYPT (76 STATE 261861) PROTECTS THE LEGAL POSITIONS OF THE U.S. AND EGYPT WHILE ALLOWING NECESSARY ACTIVITIES BY AMOCO TO GO FORWARD. IN AN EFFORT TO SATISFY FAHMY'S SENSITIVITIES WE EVEN AMENDED
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POINT TWO OF OUR PROPOSAL TO MAKE CLEAR U.S. WILLINGNESS TO PARTICIPATE IN RESOLVING ANY DISPUTES THAT MIGHT ARISE. IN TURNING DOWN OUR PROPOSAL FOR A PRACTICAL WAY TO PROCEED, THE GOE HAS TAKEN A POSITION ON THE PRINCIPLES INVOLVED IN THIS ISSUE, BUT IT HAS NOT FACED UP TO THE PRACTICAL PROBLEM OF FINDING A COMPROMISE THAT WILL IN LARGE PART PERMIT AMOCO-EGPC TO PROCEED AS THEY WISH -- WHICH WE BELIEVE OUR PROPOSAL DID.

6. ALL CONCERNED IN THIS MATTER HAVE INDICATED UNDERSTANDING TO SOME DEGREE THAT THESE PROBLEMS WILL NOT FINALLY BE RESOLVED EXCEPT IN TERMS OF A PEACE SETTLEMENT. ALL HAVE SIMILARLY EXPRESSED SOME RECOGNITION THAT TO THE EXTENT POSSIBLE ALL OUR EFFORTS SHOULD BE CONCENTRATED IN THE MONTHS IMMEDIATELY AHEAD ON RE-ESTABLISHING MOMENTUM IN THE PEACE PROCESS. WE RECOGNIZE THAT EXPLOITING THE OIL RESOURCES OF THE GULF OF SUEZ TO THE MAXIMUM IS IMPORTANT TO EGYPT IN FURTHERING ITS ECONOMIC DEVELOPMENT PLANS AND IN HELPING TO RESOLVE ITS BALANCE OF PAYMENTS PROBLEMS.

THERE ARE A VARIETY OF PROMISING SITES WEST OR NORTH OF ISRAEL'S MEDIAN LINE, WE UNDERSTAND, WHERE AMOCO-EGPC CAN PROFITABLY WORK IN THE NEXT FEW MONTHS. WE BELIEVE, THEREFORE, THAT AN EFFORT TO PUSH AMOCO BACK INTO WORKING AT

SITE 304.1 BEFORE SOME MODUS VIVENDI IS ARRANGED WITH ISRAEL WOULD ONLY RESULT IN A USELESS CONFRONTATION WHICH WOULD HAVE AS ITS PRINCIPAL RESULT A DIVERTING OF ATTENTION FROM OUR MUTUAL AIM TO KEEP UP FORWARD MOVEMENT ON PEACE FRONT.

7. YOU SHOULD TELL FAHMY THAT TO BEST OUR KNOWLEDGE THIS SUBJECT WAS NOT RPT NOT DISCUSSED DURING SADAT'S MARCH VISIT TO WASHINGTON. OUR POSITION REMAINS THAT THE BEST SHORT-TERM PRACTICAL SOLUTION IS TO PROCEED ALONG LINES OF AMENDED FOUR POINTS. WE ARE READY TO GO DOWN THIS PATH AS SOON AS HE GIVES US GOE CONCURRENCE.
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